



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'  
PLAN 2 RETIREMENT BOARD**

*P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329*

**REGULAR BOARD MEETING**

**APPROVED**

**July 27, 2011**

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The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met at the John A. Cherberg Building in Conference Rooms A-C in Olympia, Washington on July 27, 2011.

**Board Members Present:**

Kelly Fox, Chair  
Jack Simington, Vice Chair  
Paul Golnik  
Pat Hepler  
Jeff Holy  
Senator Honeyford  
Mark Johnston  
Glenn Olson  
Ryan Martin

**Staff Present:**

Steve Nelsen, Executive Director  
Jessica Burkhart, Executive Assistant  
Greg Deam, Senior Research and Policy Manager  
Tammy Harman, Administrative Services and Communications Manager  
Tim Valencia, Senior Research and Policy Manager  
Chad Standifer, Assistant Attorney General

**Not Present:**

Representative Van De Wege

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Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:37 a.m. The members took a moment of silence to honor those who had fallen since the last time the Board met.

**1) June 15, 2011 Board Meeting Minutes**

*It was moved that the June 15, 2011 Board meeting minutes be adopted as presented. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

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2) **Supplemental Rate**

*Greg Deam, Senior Research and Policy Manager*

Mr. Deam presented the *Supplemental Rate Adoption Final Proposal* for the members. Mr. Deam explained the Board must decide whether it is necessary to increase contribution rates due to the passage of Substitute House Bill 2070 (determining salary for pension purposes).

Mr. Deam included a letter from Oliver Consulting providing an actuarial review of HB 2070 and the supplemental contribution rates recommended by the Office of the State Actuary. The Office of the State Actuary provided a letter revealing the following supplemental rates:

Employee	0.02%
Employer	0.01%
State	0.01%
<b>Total</b>	<b>0.04%</b>

Mr. Deam presented two options for the Board to consider. The Board may use the current assumptions and adopt supplemental rates with an effective date of September 1, 2011. The members may also delay adoption until the October Board meeting to gain further data.

**PUBLIC TESTIMONY**

Ashley Probart with the Association of Washington Cities (AWC) provided testimony in regard to the survey the AWC is conducting.

*The Board moved Option number 2 forward. The Supplemental Contribution Rate adoption will be delayed to conduct a joint study with the AWC, present data to OSA, and provide a presentation to the Board in October. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

3) **DRS Annual Update**

*Marcie Frost, Deputy Director*

Ms. Frost introduced Alexandra Kasuske-Carroll as the LEOFF Administrator. She provided an update on the latest activities happening at the Department of Retirement Systems.

Ms. Frost continued with her *Annual Administrator Update*. Her presentation covered the vision, purpose, and strategies the agency has been using.

Ms. Frost discussed LEOFF Plan 2 specific information such as catastrophic disability applications. She reported that in 2010, 47 applications were received and 8 approved. In 2011, 29 applications were received and 1 approved.

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Ms. Frost noted many projects that are completed or underway in regard to LEOFF Plan 2 such as: member statements, handbook update, 401 (h) medical accounts, fire fighter definition rule, and also the LEOFF 1/LEOFF 2 Merger study.

Director Nelsen thanked Ms. Frost for the amount of cooperation between DRS and the LEOFF Plan 2 Board.

**4) DRS CEM Benchmarking Presentation**

*Mark Feldhausen, Budget and Benchmarking Director*

Mr. Feldhausen presented the annual *CEM Benchmarking Analysis*. The analysis is a comprehensive approach to measure where the Department of Retirement Systems rates in comparison to peers internationally.

Mr. Feldhausen reported DRS is in the larger peer group having more than 250,0000 participants.

CEM recognized Washington State for looking at international data. Mr. Feldhausen also stated DRS is in the lowest cost quartile compared to other plans. The agency typically provides faster turn-around times to customers and scored higher in 8 out of the 12 service measures compared to other plans.

Although DRS administers one of the most complex groups of retirement systems, the results of the survey indicate DRS is very efficient in providing services.

**5) Assistant Attorney General's Report**

*EXECUTIVE SESSION*

*Break for Executive Session at 10:42 a.m.*

*Board resumes business at 11:10 a.m.*

**6) Administrative Update**

*Steve Nelsen, Executive Director*

- Department of Retirement Systems (DRS) Update  
Director Nelsen discussed the projects that are underway at DRS. He also mentioned LEOFF Plan 2 members use the online benefit estimator more than any other plan.
- Select Committee on Pension Policy (SCPP) Update  
Director Nelsen provided an update on the July 19 SCPP meeting. He also provided a copy of the response Chairman Fox received from OSA in regard to the study of LEOFF Plan 2 issues during the interim.

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Director Nelsen reported that Representative Barbara Bailey was elected as new Chair and Senator Steve Conway elected as Vice Chair. Board staff will keep members aware of activity taking place in regard to the LEOFF Plan 2 activities.

- Newsletter Update

Tammy Harman, Administrative Services and Communications Manager is currently working on the next edition of Dual Response. The mailing will take place in August.

Staff Update

Courtney Dutra, former Deputy Director accepted a new position with the Department of Labor and Industries effective July 15, 2011.

Board Update

Director Nelsen introduced and welcomed three new members:

Senator Honeyford

Representative Van De Wege

Paul Golnik

**7) LEOFF 1/LEOFF 2 Merger Study**

*Steve Nelsen, Executive Director*

Director Nelsen stated this was the first time the LEOFF 1/LEOFF 2 Merger topic had been presented. He reviewed background information such as investments, contributions, the actuarial funding method, long term economic assumptions, demographic assumptions, asset value smoothing, and market value corridor.

Director Nelsen also provided information in regard to the governance of a merger, as well as the legal framework that would take place.

He also highlighted the direction the Office of the State Actuary would be given while conducting a study on the LEOFF 1/LEOFF 2 Merger.

The Board members reviewed the draft questions that would be included in the study.

*The Board moved the proposed LEOFF 1/LEOFF 2 Merger questions forward for the Office of the State Actuary to study.  
Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**PUBLIC TESTIMONY**

Dick Warbrouck, President of the Retired Fire Fighters of Washington (RFFOW) testified against the LEOFF 1/LEOFF 2 Merger.

Jerry Taylor, RFFOW testified against the LEOFF 1/LEOFF 2 Merger.

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Mark Curtis, LEOFF 1 Coalition testified that he does not consent to the LEOFF 1/LEOFF 2 Merger.

James Hill, prior vice president of the Washington State Council of Fire Fighters mentioned Director Nelsen did an excellent job presenting and it would be a benefit for both parties to get together to draft legislation that meets both LEOFF 1 and LEOFF 2 needs.

Michael Duchemin, International Association of Fire Fighters - Local 1604 testified that he is in support of research being done on the LEOFF 1/LEOFF 2 Merger.

Craig Bulkley, Washington Council of Police and Sheriffs testified in support of the LEOFF 1/LEOFF 2 Merger study.

*The Board moved to discuss the request to waive privilege on legal advice received in Executive Session at the August 24 Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**8) Agenda Items for Next Meeting**

Director Nelsen reviewed the upcoming agenda items for the August meeting.

**Next Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 24, 2011 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:25 PM.